

## Message Text

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64

ACTION EA-10

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 /088 W

----- 004267

R 180750Z JUL 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 1493

INFO AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMCONSUL HONG KONG

USDEL MTN GENEVA

CINCPAC

C O N F I D E N T I A L SEOUL 5377

C O R R E C T E D C O P Y - T E X T

HONG KONG FOR REGFINATT

E.O. 11652: GDS

TAGS: EFIN, ETRD, KS

SUBJECT: BALANCE OF PAYMENTS CONTINUES TO IMPROVE

REF: (A) HONG KONG 8007 (NOTAL); (B) SEOUL 4235

1. CONTRARY TO IMPRESSION GIVEN IN REF (A), KOREAN BOP SITUATION HAS DEFINITELY IMPROVED IN RECENT MONTHS. PRELIMINARY DATA FOR JUNE ARE IN LINE WITH FAVORABLE APRIL-MAY TRENDS REPORTED REF (B). IMPORTS WERE PARTICULARLY LOW AGAIN IN JUNE, HELPING TO GENERATE ANOTHER SMALL BUT RARE TRADE SURPLUS ON A KFX BASIS, I.E., EXCLUDING IMPORTS FINANCED WITH LONG-TERM CAPITAL. EXPORT ORDERS IN JUNE WERE DOWN 9 PERCENT FROM RECORD MAY LEVEL BUT WERE MORE THAN 50 PERCENT HIGHER THAN FIRST QUARTER LEVEL SEASONALLY ADJUSTED. CONFIDENTIAL

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EXPORTS AND IMPORTS ARE EXPECTED TO INCREASE ABOUT EQUALLY IN THIRD QUARTER, PERMITTING CONTINUED APPROXIMATE TRADE AND CURRENT ACCOUNT BALANCE ON KFX BASIS, AFTER DEFICITS TALLING AROUND \$900 MILLION FOR FIRST FOUR

MONTHS OF YEAR.

2. KOREA'S FOREIGN EXCHANGE POSITION ALSO CONTINUED TO IMPROVE IN JUNE, WITH GROSS RESERVES RISING \$109 MILLION TO A RECORD \$1,083 MILLION, BEFORE EARLY JULY DRAWING OF \$72 MILLION FROM IMF OIL FACILITY. NET FOREIGN ASSETS IMPROVED ANOTHER \$67 MILLION IN JUNE TO MINUS \$567 MILLION, OR MINUS \$23 MILLION IF LONG-TERM LIABILITIES ARE EXCLUDED. IMPROVEMENTS ARE DUE TO INCREASED LONG-TERM CAPITAL INFLOWS, GREATER USE OF TRADE CREDITS AND SUCCESS IN ATTRACTING FX DEPOSITS AND INCREASING FOREIGN BRANCH BANK LENDING. IMPROVED FX AND BOP SITUATION HAS LED TO SOME INCREASE IN FOREIGN BANKER CONFIDENCE, THOUGH ROLLOVER OF LARGE SHORT-TERM BANK CREDITS WILL REMAIN POTENTIAL PROBLEM FOR AT LEAST REMAINDER OF YEAR.

3. RE REFERENCE IN PARA 9 REF (A) TO "ALREADY HIGH" EXTERNAL DEBT AT BEGINNING OF 1974, WOULD LIKE TO POINT OUT THAT KOREA'S DEBT SERVICE RATIO WAS 12.4 PERCENT IN 1974 AND WILL BE 14-15 PERCENT THIS YEAR. RECENT PARIS CG MEETING CONCLUDED THAT SERVICING OF FUTURE HEAVY BORROWING SHOULD NOT POSE A SERIOUS PROBLEM PROVIDED THAT OFFICIAL AND SEMI-OFFICIAL FINANCING REMAIN AVAILABLE.  
SNEIDER

CONFIDENTIAL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 26 AUG 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BALANCE OF PAYMENTS, FINANCIAL DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975SEOUL05377  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** 11652 GDS  
**Errors:** n/a  
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**Reference:** n/a  
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**Subject:** n/a  
**TAGS:** EFIN, ETRD, KS  
**To:** STATE INFO TOKYO  
TAIPEI  
HONG KONG  
MTN GENEVA  
CINCPAC  
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